SOUTH COUNTY JOINT PLANNING PROGRAM

City of Morgan Hill City of Gilroy County of Santa Clara

COYOTE VALLEY

BACKGROUND REPORT

FOR THE

SOUTH COUNTY JOINT PLANNING PROGRAM

PREPARED BY: STAFF

COUNTY OF SANTA CLARA

DEPARTMENT OF LAND USE AND DEVELOPMENT

OFFICE OF PLANNING

Adopted: December 1985

12. COYOTE VALLEY

12.1. The Coyote Valley is part of the regional setting of both San Jose and the South County area and serves as a gateway to both areas. It is now primarily in agriculture and other rural uses with a scattering of roadside activities along Monterey Road.

12.2. LAFCO has included most of the valley in the Sphere-of-Influence of San Jose and a small southern portion in the Sphere-of-Influence of the City of Morgan Hill. Coyote Valley is entirely within the Morgan Hill Unified School District.

12.3. The City of San Jose General Plan designates three planning areas:

a. North Coyote Campus Industrial Area, to include 50,000 jobs;

b. Coyote Valley Urban Reserve, to include 9,000 dwelling units and commercial and public facilities, to be built on a schedule related to transportation facilities and other development criteria in the city; and

c. Coyote Greenbelt, to be maintained between the developed area of San Jose and Morgan Hill.

12.4. Designation by San Jose of the Coyote Greenbelt is recognized as a major step in maintaining a buffer between San Jose and Morgan Hill. San Jose is now conducting a Hillside Greenbelt Study to determine methods for implementing its plans, including the Coyote Greenbelt.

12.5. Since the Coyote Valley is in the Morgan Hill Unified School District, the development of up to 9000 new dwelling units would require major new school construction and service expansion by the School District, when funding is extremely limited.

12.6. Development of Coyote Valley as planned can be expected to have major impacts throughout the South County, adding to those that will result from employment growth in the areas which the South County communities have planned for their own industrial development. There is concern about increased housing demand, needs for schools and other public services, pressures for development of rural lands and open space, and increased traffic and other environmental impacts.

12.7. There are a number of external forces over which local jurisdictions have little or no control. These forces will affect the timing of the development of Coyote Valley.

12.8. A major portion of Coyote Valley remains in County jurisdiction until such time as LAFCO may extend the San Jose Urban Service Area consistent with the San Jose General Plan and until San Jose annexes lands within its Urban Service Area.

12.9. The County has adopted a procedure for upgrading or abating, as appropriate, twenty remaining roadside uses along Monterey Road in the unincorporated area.

12.10. The County of Santa Clara and City of San Jose have contracted that the County will approve no new general plan changes or land developments within the City's General Plan are which conflict with the City's plan in return for the City's sharing a portion of its redevelopment revenues with the County.

19. Coyote Valley

Anticipated impacts on the South County resulting from development in Coyote Valley should be reviewed and addressed by the affected jurisdictions, both individually and through cooperative action.

19.1. Staff of the Cities of Morgan Hill and Gilroy, the County and the School Districts of Morgan Hill and Gilroy should meet periodically with the staff of the City of San Jose to determine the impacts of Coyote Valley development on the South County and to recommend appropriate responses for each jurisdiction.

19.2. Specific attention should be given by the jurisdictions to identify appropriate mitigations to impacts on the education/school system, since quality of education is a primary objective of the South County community.

19.3. The jurisdictions should develop a plan and specific measures for preserving a major greenbelt area between San Jose and Morgan Hill.

19.4. LAFCO in reviewing proposed actions in the Coyote Valley should consider jobs/housing balance, school impaction, and implementation of the Coyote Greenbelt.

19.5. The County should proceed to implement its Monterey Road policy in the Coyote Valley to upgrade or abate the existing uses. Careful attention should be given to any use being considered in the proposed Coyote Greenbelt area.

County of Santa Clara
Office of Planning
December 6, 1985

To: South County Planning Advisory Committee

From: County Planning Staff

Subject: Coyote Valley - County Jurisdiction

I. General Area and Monterey Road

The majority of Coyote Valley is unincorporated and is designated in the County General Plan as Large Scale or Medium Scale Agriculture. The land is zoned A-20, A-20s and Al-20s. The majority of the frontage of Monterey Road is in the City of San Jose where the City extended a strip to annex a large area near Anderson Reservoir in the 1960's. In the remaining County lands along Monterey Road there are about 20 old roadside commercial uses in various states of use or abandonment. These were established over the years when Monterey Road was the main southern route into the Bay Area. Some served the traveler such as gas stations, fruitstands and restaurants. Some served local residents such as lumber yards and food stores. Some were started prior to the establishment of zoning and a few were apparently started illegally.

II. Monterey Road Use Permit Area

Since the County's General Plan and zoning districts for agriculture do not include commercial and other such uses as "conforming uses," they were all considered "non-conforming." As such they were discouraged from upgrading their facilities. As conditions changed over the years and with the opening of the freeway, some have been abandoned completely. In order to stimulate the upgrading of Monterey Road and to clarify the status of these uses the County Board of supervisors approved a General Plan Amendment in 1984 to establish the Monterey Highway Use Permit Area. This amendment provides for the upgrading of appropriate uses, legalizing those illegal uses which are deemed to be appropriate and encouraging the abatement of illegal inappropriate uses on the basis of specific findings to be applied to each case.

The intent of the use permit process is to clarify the property rights of legally established uses and to enable their owners to maintain and improve their properties. Furthermore, it is intended to provide a process whereby owners of other established businesses can seek legalization of their enterprise upon findings of demonstrated community need, compatibility with the surrounding area, and ability to meet appropriate standards.

It is the County's objective that the lands along Monterey Road remaining under County jurisdiction are managed to enhance the area. The County's procedure is intended to assure that the uses which remain will serve identified current needs under current standards of health and safety in a visually attractive manner. Those abandoned structures and illegal uses for which there is no justification should be abated, resulting in a cleaner and more beautiful environment.

Since adoption of the amendment, the County and the City of San Jose have contracted that the County will approve no new general plan changes within the City's General Plan area which conflict with the City's plan in return for the City's sharing a portion of its redevelopment revenues with the County.

III. Current Situation:

The ordinance implementing the 1984 amendment was adopted in the Spring of 1985 and applies to Monterey Highway extending from Metcalf Road to the southern County border (see Exhibit A). Approximately 55 operations have been identified which are affected by the ordinance. In the Coyote area there are 22 operations remaining in County jurisdiction. Half of the operations are legal, or legal non-conforming uses, while the remainder have been established without proper permits. Illegal uses have until December 31, 1985 to file a use permit application, which will be considered by the County Planning Commission with regard to the findings required by the ordinance. Legal non-conforming uses may apply at any time. After January 1, 1986, the County will pursue the appropriate enforcement procedures to abate the remaining illegal uses.

IV. Findings:

1. A major portion of Coyote Valley remains in County jurisdiction until such time as LAFCO may extend the San Jose Urban Service Area consistent with the San Jose General Plan and until San Jose annexes lands within its Urban Service Area.

2. The County has adopted a procedure for upgrading or abating, as appropriate, twenty remaining roadside uses along Monterey Road in the unincorporated area.

3. The County of Santa Clara and City of San Jose have contracted that the County will approve no new general plan changes or land developments within the City's General Plan area which conflict with the City's plan in return for the City's sharing a portion of its redevelopment revenues with the County.

V. Recommendations:

1. The County should proceed to implement its Monterey Road policy in the Coyote Valley to upgrade or abate the existing uses. Careful attention should be given to any use being considered in the proposed Coyote Greenbelt area.

County of Santa Clara
Office of Planning
December 6, 1985

To: South County Joint Planning Advisory

From: County Planning Staff

Subject: December 12th meeting on Coyote Valley.

In response to your request at the last meeting for more specific information about the future of Coyote Valley, we have prepared two brief reports on San Jose and County planning activities in the area. Each report includes draft findings and recommendations for your consideration.

In addition, Mr. Tom MacRostie of the San Jose Planning Department will attend the meeting to describe the City's plan for Coyote and answer your questions. Several suggested topics for discussion are included at the end of our report on the City plan.

County of Santa Clara
Office of Planning
December 6, 1985 WEC,CM

To: South County Planning Advisory Committee
From: County Planning Staff

Subject: Coyote Valley - City of San Jose Jurisdiction

City of San Jose's Plan for the Development of Coyote Valley

I. Introduction

The Coyote Valley is part of the regional setting of both San Jose and of the South County and serves as a gateway to both areas. Most of the Coyote Valley is included in the Sphere of Influence of the City of San Jose, with a smaller portion within the Sphere of influence of Morgan Hill. The valley is now primarily in agriculture and other rural uses, with a scattering of roadside activities along Monterey Road.

In 1983, San Jose voted to approve Campus Industrial development in the North Coyote Valley. San Jose's General Plan, "Horizon 2000," also designated the central part of the valley for development on a schedule to be related to the accomplishment of specified transportation facilities and development criteria for the City as a whole, which are summarized later in this report. The City's reasons for approving Campus Industrial development in Coyote are (1) to achieve a better balance of jobs to housing within San Jose, which now has a surplus of housing units over jobs, (2) achieve a more balanced commute pattern making more efficient use of the traffic network by locating a more equal proportion of the City's jobs in the south and (3) providing an adequate supply of large land parcels in a suitable setting for the siting and development of large scale corporate facilities.

City's rationale for opening CV

II. San Jose's Coyote Valley Planning Area

San Jose's General Plan has divided its Coyote Valley planning area into three sub-areas; the North Coyote Campus Industrial Area, the Coyote Valley Urban Reserve and the Coyote Greenbelt. The General Plan presents policies to insure the phasing of development in the two first areas.

A. North Coyote Campus Industrial Area

The northern part of Coyote Valley has been designated the North Coyote Campus Industrial Area to allow industrial development. The City plans to develop this area at 50-acre average sized, 25-acre minimum sized parcels to an ultimate employment holding capacity of 50,000 jobs.

A. North Coyote Campus Industrial Area (Continued)

San Jose hopes that the creation of additional jobs in this area will provide San Jose workers the opportunity of employment closer to their residence and a work commute to the south in an off-peak direction rather than only north to the north San Jose - Highway 101 triangle area.

Development in the North Coyote Campus Industrial Area will begin as soon as developers are able to proceed. Detailed arrangements on development standards and infrastructure financing by developers have been agreed to be the City and developers.

B. Coyote Valley Urban Reserve

South of the industrial area, the City has designated the Coyote Valley Urban Reserve. San Jose's plan for this area is to ultimately allow a planned community for up to 9,000 dwelling units and supporting commercial services and public facilities.

Urban Reserve to be subject of a specific area Plan

The City has stated that development of the Coyote Urban Reserve should not proceed until a Specific Area Plan is developed. The City Council will not request preparation of a Specific Area Plan until the following conditions have been satisfied. In general, these conditions require that the North Coyote Campus Industrial Area and balanced City-wide growth are both well established

1. Building permits for development designed to accommodate 50% of the planned 50,000 employee holding capacity of the North Coyote Campus Industrial area have been issued.

2. Fifty percent of City-wide 1980 - 2000 employment growth (89,000 new jobs) has been achieved.

3. Building permits for 60% of the planned 1980 - 2000 dwelling unit increase within the 1983 Urban Service Area have been issued.

4. Highway 101, between San Jose International Airport and Bailey Avenue is widened to at least six lanes.

5. The funding for the construction of Route 85 (West Valley Corridor) between Highway 101 and Interstate 280 in Cupertino is scheduled in the State Transportation Improvement Program.

Once these conditions are satisfied, the City Council may request the preparation of a Specific Area Plan. This plan should include a development phasing plan, a land use plan, a circulation plan and a set of development standards tailored to the setting and geographic ambience of Coyote Valley. This plan must include provision for developer financing of City infrastructure and other facilities. The Specific Area Plan process will also need to determine the need for developer financing of school construction.

C. Coyote Greenbelt

The City of San Jose has designated its southern portion of the Coyote Valley as the Coyote Greenbelt, and has applied a greenbelt overlay designation to the area. The proposed greenbelt area will serve as a permanent non-urban buffer defining the ultimate perimeter of San Jose's urbanization. The Coyote Greenbelt is intended to produce a clearer identity for both the Cities of San Jose and Morgan Hill.

III. San Jose's Hillside and Greenbelt Study

The City of San Jose is currently conducting a Hillside Greenbelt Study. As part of their study, the City will explore methods of implementation of its greenbelt and the preservation of hillsides and open-space. This study is expected to be completed sometime in mid-1986.

IV. Impacts on South County Resulting from Development of Coyote Valley

The impacts described here relate to the South County communities and do not include discussion of impacts which may occur in San Jose or elsewhere in the North County. While it is San Jose's hope that the jobs in Coyote will be filled by workers from the San Jose area, it is likely that some portion of the workers will desire to live to the south. Therefore, it is likely that the proposed development of the North Coyote Campus Industrial Area and the Coyote Valley Urban Reserve may create significant impacts on South County, particularly regarding housing, education and transportation.

A. Housing

Currently the South County has a housing/jobs imbalance with a large proportion of workers commuting to the north

In order to promote more opportunities for South County residents to work close to home, the General Plans of Morgan Hill and Gilroy include a surplus of land for employment over housing. Their Plans, however, call for a balance of jobs and housing. They intend to monitor the jobs/housing ratio as development proceeds and, as actual balance is reached, to adopt appropriate policies to assure maintenance of balance. With San Jose's proposed industrial development of the North Coyote Campus Industrial Area, the problems associated with an imbalance of jobs an housing may be further impacted. San Jose's plan will ultimately generate 50,000 new jobs.

San Jose does not propose residential development in the Coyote Urban Reserve until sometime later. To the extent that workers in the industrial area seek to live in the South County rather than in San Jose, the creation of new jobs without additional housing may further impact the expected South County jobs/housing imbalance and make more difficult the two Cities' efforts to solve their housing and employment problems.

Resulting impacts on housing may be an increase in housing prices beyond what would occur from Morgan Hill and Gilroy plans. The result might be displacement of lower income households, such as households headed by women, or elderly or minority households. It may also increase the demand for residential development beyond that planned by the two South County cities with the resulting demand to extend city development out into the rural area faster than presently planned.

B. Education

The proposed industrial development in the North Coyote Campus Industrial Area and subsequent residential development in the Coyote Valley Urban Reserve will impact the local school systems.

The location of new industry in a school district does not increase the district's revenue because of California's tax laws and school financing. It may however increase the number of workers seeking to reside in the district with a subsequent demand for educational services for their children. While new residential construction pays to the school district a residential impact fee for each new house, the fee does not cover the full cost of providing school facilities for the new students.

Current projections estimate that the Coyote Valley residential development will generate approximately 9,000 additional students, or one new student per dwelling unit. This does not consider the students resulting from additional households locating elsewhere in South County, but only those attributed to the households resulting from workers within the North Coyote Campus Industrial Area.

The addition of students into the local school districts will require the construction of several primary and secondary schools. It is unclear how the construction of these educational facilities will be funded beyond the usual residential impact fees.

C. Transportation

To the extent that the Coyote Industrial Area attracts workers from the South County in addition to the North County, the South County transportation system may be adversely impacted There may be an increase in commute traffic, congestion and related air pollution.

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FINDINGS

1. The Coyote Valley is part of the regional setting of both San Jose and the South County area and serves as a gateway to both areas. It is now primarily in agriculture and other rural uses with a scattering of roadside activities along Monterey Road.

2. LAFCO has included most of the valley in the Sphere of Influence of San Jose and a small southern portion in the Sphere of Influence of the City of Morgan Hill. The entire valley is in the Morgan Hill Unified School District.

3. The City of San Jose General Plan designates three planning areas; 1) North Coyote Campus Industrial Area, to include 50,000 jobs, 2) Coyote Valley Urban Reserve to include 9,000 dwelling units and commercial and public facilities, to be built on a schedule related to transportation facilities and other development criteria in the city; and 3) Coyote Greenbelt, to be maintained between the developed area of San Jose and Morgan Hill.

4. Designation by San Jose of the Coyote Greenbelt is recognized as a major step in maintaining a buffer between San Jose and Morgan Hill. San Jose is now conducting a Hillside Greenbelt Study to determine methods for implementing its plans, including the Coyote Greenbelt.

5. There are a number of external forces over which local jurisdictions have little or no control. These forces will effect the timing of the development of Coyote Valley.

RECOMMENDATIONS

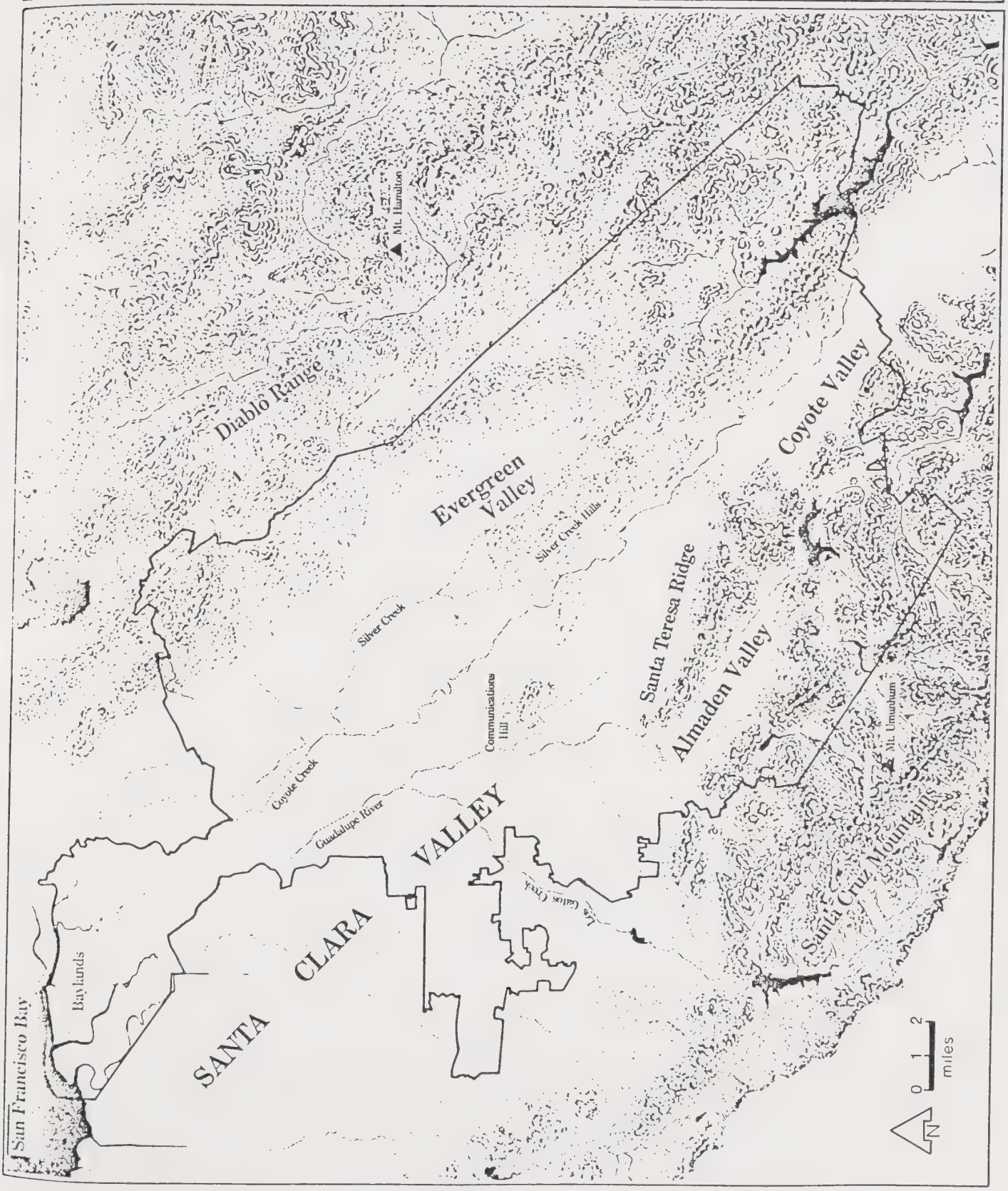
1. Staff of the Cities of Morgan Hill and Gilroy, the County and the School Districts of Morgan Hill and Gilroy should meet periodically with the staff of the City of San Jose to determine the nature of the impacts of Coyote Valley development on the South county and to recommend appropriate responses for each jurisdiction.

2. Specific attention should be given by the jurisdictions to identify appropriate mitigations to impacts on the education/school system, since quality of education is a primary objective of the South County community.

3. By January 1987 the jurisdictions should develop a plan and specific measures for preserving a major greenbelt area between San Jose and Morgan Hill.

4. LAFCO in reviewing proposed actions in the Coyote Valley should consider jobs/housing balance, school impaction, and implementation of the Coyote Greenbelt.

Map 1 **San Jose Setting**

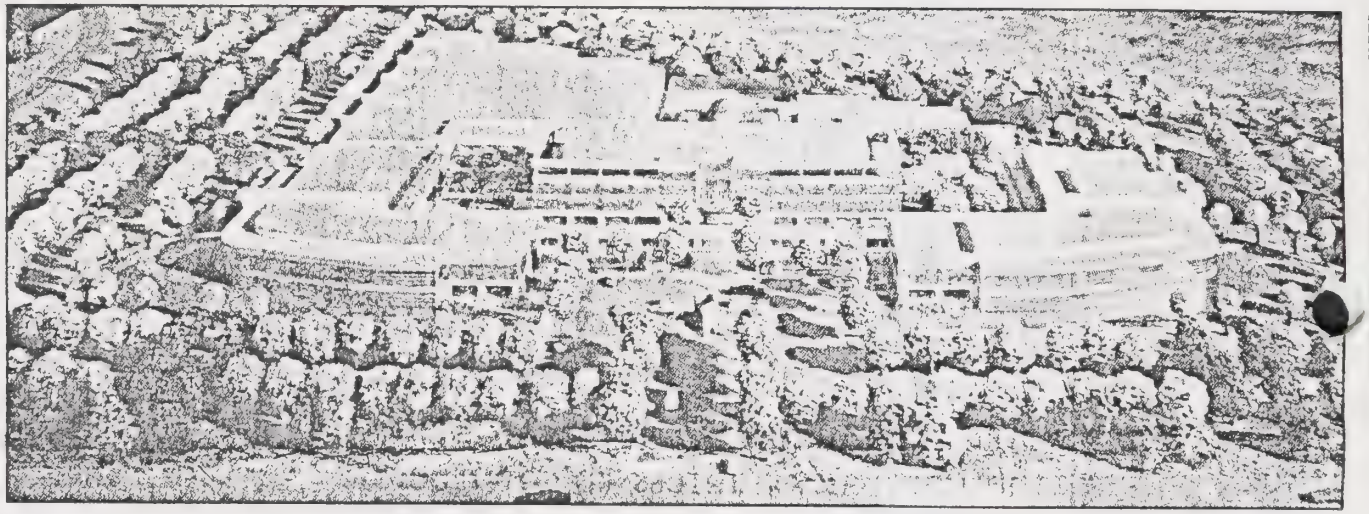


APPENDIX A

NEWSPAPER ARTICLES

San Jose Merc-Herald Nov. 7, 1985 pg 61

Coyote Valley on the drawing board



Special to the Mercury News

Model of Coyote Valley building prepared for Sobrato Development Cos.' by Leason Pomeroy Associates architects

Koll, Sobrato prepare to make first moves next June

By Chris Kraul
Mercury News Business Writer

Construction on the first industrial buildings in South San Jose's Coyote Valley may begin as early as next June, nine years after speculators first started gobbling up farm land there.

Next June is when Koll Co. of San Jose plans to begin $5 million worth of street and landscaping improvements for its 672-acre Coyote Valley Research Park, northwest of Highway 101 and Bailey Avenue.

Assuming tenants or buyers can be found, building permits for the first phase of Koll buildings totaling 640,000 square feet might also be taken out in June. Tenants could possibly move in by mid-1987, Koll Vice President Steve Speno said.

Sobrato Development Cos. of Cupertino, which plans a 237-acre business park in Coyote Valley, also has begun its marketing efforts and is considering beginning its land improvements and sales of land and/or buildings next June.

Koll led landowners' successful efforts to have north Coyote Valley rezoned from agricultural to industrial uses to accommodate large high-technology employers.

More Commercial Real Estate, Pages 4G — 11G

Other major Coyote Valley landowners besides Koll and Sobrato include Apple Computer Co. and Tandem Computers Inc., both of Cupertino. Apple and Tandem plan someday to move a large part of their research and administrative operations to Coyote.

The San Jose general plan was amended in 1983 to allow industrial buildings, specifying minimum Coyote Valley industrial lot sizes of 25 acres and average lot sizes of 50 acres. The big parcels assure that only large employers building structures of 300,000 square feet and larger will locate to Coyote Valley.

Koll and Sobrato have commissioned architectural firms to build conceptual models of the large, headquarters-type buildings envisioned for Coyote.

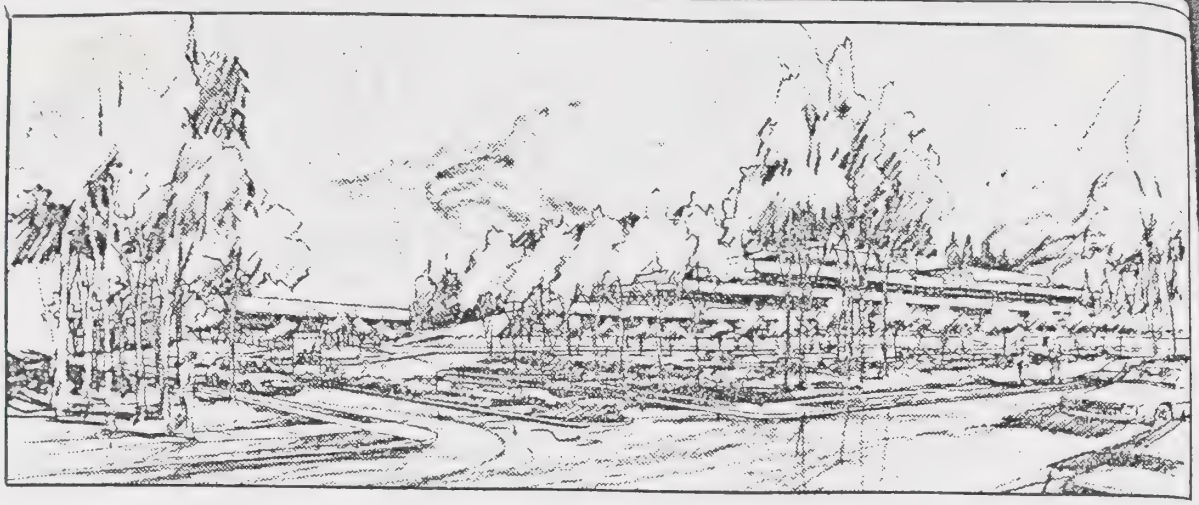
"These aren't necessarily the way the buildings will look. But it's easier to market a conceptual model than pictures of vacant land," Sobrato principal John M. Sobrato said.

In two presentations before a total of 200 real estate brokers at San Jose's Red Lion Inn, Koll began marketing 25-acre-and-larger parcels of its business park last week. Mayor Tom McEnery, a strong proponent of Coyote Valley development, was one of the speakers at Koll's presentations.

"We're close enough (to Coyote Valley development) that Koll feels it's time to start generating interest in the area. We're at the stage we've all been waiting to see," said Kent Edens, San Jose's chief of planning implementation.

Although prices of Koll's Coyote land have not been set, Speno said parcels will be available at "60 percent to two-thirds" the prices of comparable,

See COYOTE, Page 5G



Special to the Mercury News

Artist's drawing of Koll Co. industrial campus planned for Coyote Valley

Developers plan for Coyote

COYOTE, from Page 1G

fully improved lots in North San Jose. North San Jose lots currently sell for between $650,000 and $870,000 per acre, he said.

The relatively low price of Koll's land comes despite landowners' complaints of the high assessments they will pay for Coyote Valley improvements such as streets, sewers and flood control. San Jose's public works director, Kent Dewell, has said industrial landowners will pay at least $182,000 per acre to have their land improved. That's three or four times the assessments developers pay in North San Jose.

Koll's plan to proceed comes as good news to boosters of Coyote Valley development after several setbacks in recent months.

Verbatim Corp., a Sunnyvale-based manufacturer of computer disks, was to have built a large headquarters facility in Sobrato's park, but Verbatim scrapped its expansion plans last December because of financial problems. The company was acquired by Eastman Kodak Co. a few months later.

Tandem Computers was to have been the first company to build in Coyote Valley. The computer systems manufacturer planned to start construction last April on a 515,000-square-foot headquarters building on a 100-acre site that was to include a 10-acre man-made lake.

But a decrease in Tandem's growth rate and delays in the city's arrangements to finance Coyote's infrastructure — roads, sewers and flood control — caused Tandem to postpone construction until at least early 1987.

The costly assessments announced earlier this year also put a damper on developers' enthusiasm for Coyote Valley. The higher-than-expected improvement costs meant developers would not have the price advantage they had hoped for in comparison with land in other parts of the valley.

Speno said Koll's land costs enable it to offer property at low prices despite the high assessments. Coyote's low land costs, proximity to South San Jose housing and the advantage of a generally less congested commute for workers will attract employers to Coyote, he predicted.

Another of Coyote's selling points is that it offers employers large lot sizes in what will be a campus environment, giving employers who want to consolidate operations in a single setting the space to do so. The lack of affordable campus-type land has forced many Silicon Valley employers to relocate outside Silicon Valley, Speno said.

Koll will market Coyote Valley land to Japanese and other Asian manufacturers as well as to American companies, Speno said. This year, Koll hired a marketing representative to drum up "Pacific Rim" business, he said.

Koll expects to be reimbursed for the $5 million it will spend on street and landscaping improvements in early 1987 when the first of two bond sales is scheduled by the yet-to-be-formed Coyote Valley assessment district.

All told, Coyote Valley landowners will pay $220 million in improvements for the 1,200-acre north Coyote area. Those improvements include two new freeway interchanges at Highway 101 at Bailey Avenue and North Coyote Parkway, and $45 million in flood control improvements for Fisher Creek.

San Jose Mercury, Thursday morning, May 12, 1983

Local

Why planner stopped fighting growth in Coyote

By Maline Hazle
Staff Writer

Gary Schoennauer likes to say that Coyote Valley is San Jose's version of the Alamo.

But, unlike the legendary Texans who held the fort to the last man, Planning Director Schoennauer has switched sides before the final skirmish.

The San Jose council tonight is expected to approve Schoennauer's recommendation to allow industrial development in part of the city's last major open space preserve. That recommendation is a direct reversal of Schoennauer's 15-year stance against expansion.

Schoennauer, 38, said his resistance to opening the valley came from his early planning department experience in San Jose.

In 1967, then-planning technician Schoennauer was fresh out of college, and San Jose was undergoing a philosophical metamorphosis that would end two decades of madcap development.

Strip annexations fanned out like spokes in a wagon wheel. They tied far-flung developments to the city's core. Neighboring communities scrambled to protect their boundaries by incorporating.

"The strategy was to be big and in control. The theory was: The more you control, the better," Schoennauer recalled.

That strategy transformed the postwar farm town into a sprawling developers' paradise.

And by 1969, Schoennauer said, "things were beginning to go wrong. Schools were on double sessions. Response times for police and fire were much longer because they were stretched so thin. Neighborhoods were surrounded by more and more development. Residential streets were traffic-congested. Fifteen-minute commutes were taking a half-hour or more."

Residents who had to put up with the problems elected council members committed to controlling growth.

"It was 1970 when we first bit the bullet and said Coyote was off-limits."

By that time, the 5,000-acre valley was the major undeveloped, uncommitted part of San Jose the Valley floor."

Schoennauer, who grew up in Palo Alto and attended San Jose State University, where he earned a master's degree in urban planning, was named in 1971 to a new position, chief of planning. It was his job to

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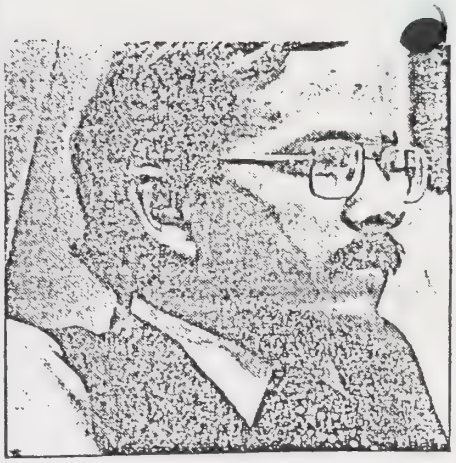


'I don't believe you can partially urbanize Coyote Valley.'
— *Gary Schoennauer*

Why S.J. planner yielded on growth in Coyote Valley

Continued from Page 1B

articulate San Jose's new controlled-growth policies.

"We had to make a stand on focusing our attention inward — to the neighborhoods and downtown. That was my philosophy," he said.

"It was important to send a message that would convince the development community and the real estate community that the city's policy was changing. We had to hold the line tight in order to convince them."

Coyote Valley, Schoennauer said, became the symbol of San Jose's revamped planning policies.

Throughout the 1970s, San Jose held the line, against lawsuits filed by disappointed Coyote Valley landowners, against yearly assaults on the general plan.

But, "It never went away," Schoennauer said.

And now, after 16 years with the city, the last three as planning director, Schoennauer has changed his mind.

After considering information gathered by Mayor Tom McEnery's Economic Development Task Force and reviewing a consultant's inventory of San Jose's industrial land, Schoennauer announced last month that he now favors high-technology development on 1,465 Coyote Valley acres.

The council will vote on 795 of those acres tonight. The rest of the valley will be assigned to the Horizon 2000 general plan update scheduled for completion next year.

Schoennauer admits, though, that tonight's council decision will foretell the future of Coyote.

If the council adopts his recommendation and that of McEnery's task force, Schoennauer predicted, the Horizon 2000 Task Force will recommend an urban plan of development in all of Coyote Valley. "They may say that it can't be developed until the year 2000, and I suspect that's where a lot of debate will lie, but it's not likely they'll recommend another non-urban plan.

No halfway solutions

"I don't believe you can partially urbanize Coyote Valley. It won't work. A commitment to urbanize the north is essentially a commitment to urbanize the remainder."

Schoennauer's staff analyzed a 542-acre proposal by Koll Co. of Northern California, a 237-acre proposal submitted by developer John Sobrato and third plan for 15 acres owned by developer Dominic Sfregola.

Last year, Schoennauer cautioned that the developments would compete with San Jose's existing redevelopment areas and that enough land was already zoned for industrial development. The planning report warned of a southerly shift of the city's housing imbalance and that the projects would require millions of dollars worth of flood control improvements, sewer hook-ups and police and fire services.

The report predicted that the costs generated by the proposed developments would offset any new tax benefits.

In short, development of Coyote Valley would devastate the city's credibility, Schoennauer said.

But on April 29, the planning department released its revised recommendations.

More big sites

The new report concluded that San Jose needs more large industrial sites to accommodate "the particular needs of large, high-technology companies."

By setting 25-acre minimum parcels in Coyote Valley, San Jose can protect its existing industrial redevelopment areas, the report said. Roads, sanitary sewers and storm improvement costs should be borne by the developers.

Meanwhile, the citywide implications of the expansion on services, housing, open space, quality of life and other concerns should be studied by the Horizon 2000 Task Force, the report said.

Schoennauer admits that "in an ideal world, we would have thrown the whole issue to Horizon 2000.

"But the decision had to be made more quickly. It was important for the city to be in a position where it could show that it could move," he said.

Restrictions too late?

Schoennauer said he now thinks that "though I really believed agriculture could have been a viable use for Coyote Valley, it may have been too late. Inevitably, it was nothing more than a holding action. Perhaps the die was cast in the '50s and there was no chance."

The vital element of the Economic Development Task Force recommendations, Schoennauer said, "is that it doesn't say to accept industrial development, no holds barred. It really stresses throughout that these will be large-parcel developments.

"That is not what we were opposing last November. That was not the proposal last November."

And Schoennauer predicts that Coyote Valley, his symbol of planned growth in the 1970s, will become San Jose's new symbol of high technology.

"We suffer more than anything else by not having a strong San Jose-based corporate community," he said. "Everybody drools at the mention of San Antonio, Texas, or the research triangle in North Carolina. Hopefully, that will happen here."

Schoennauer acknowledges that he probably will be remembered as the planner who recommended opening up the Coyote Valley.

"But I hope I'm also remembered as the planning director who kept it from developing for 15 years," he said.

WEC, ES, DW, HG

San Jose making special rules to protect Coyote water

By Julie Appleby
Dispatch Staff Writer

COYOTE — Because of the high potential for chemical contamination of groundwater in the Coyote Valley, industry will probably be required to store chemicals in double-walled, above-ground tanks as a precaution, San Jose officials say.

Even that is not guaranteed to be foolproof, but it's a step in the right direction, according to Peter W. Jones, San Jose's hazardous materials program manager.

"There's always a risk, but it will go a long way toward prevention," said Jones. "I think the valley can be opened to development, but it must be done carefully. In the climate in which we now live, we have a reasonable chance of doing it properly."

With the water table a mere three feet below the surface in much of the valley, Jones said, the city cannot afford to take risks in planning industrial complexes.

"If there is a leak of any significance, it would go straight into the water table," Jones said. "If we have leak in downtown San Jose, yes it's important, yes it's significant, but we would have more time to deal with it."

An environmental impact report addressing the tank issue is expected to be completed next week on two projects in the northern end of the valley, where Tandem and Verbatim computer companies plan to locate their headquarters, said Senior Planner Michele Yesney.

"The problem with an underground tank is it could leak for months before anyone found out," Yesney said. "We're confidant that in most parts of the city monitoring will prevent that situation from occurring. But because Coyote is especially sensitive, additional precautions are needed."

The double-walled tanks will probably be placed in cement-lined pits with extensive sprinkler systems to guard against fire. Gas stations are not currently planned for the northern end of Coyote, so the issue of gasoline tanks has not yet been addressed, Yesney said.

Additional cost of building above-ground tanks will probably be passed on to consumers, said Jones, which decided that development would go smoothly once requirements are established.

"It's so much cheaper to do things right when you're building something new," Jones said.

Digest

Intel delays occupying new plant

Intel Corp. of Santa Clara will delay occupancy of a new plant and personnel changes in other facilities centered in Hillsboro, Ore., because of a softening computer chip markets.

Officials of the semiconductor manufacturer said Tuesday that the firm will delay the occupancy for at least six months. They said the company also will shift about 350 employees to other jobs within manufacturing operations in the Portland metropolitan area where it employs about 4,400 workers.

"You can attribute all of this to generally soft market conditions," said George Drumbor, an Intel public relations spokesman.

Masstor, Network settle suit

Software manufacturer, Masstor Systems Inc. of Santa Clara, and Network Systems Corp., a Brooklyn Park, Minn. communications hardware maker, have agreed to settle lawsuits against each by working together.

The directors of both firms have approved a plan proposed in August whereby Masstor will buy Network's products and postpone the introduction of its own hardware, said Richard P. Beck, Masstor's senior vice president.

When the two companies announced their intentions this summer, Masstor was about two months away from introducing its own communications system, he said.

Last year, Network filed a lawsuit against Masstor, charging that Masstor's planned high-speed Massnet communications system would infringe on Network's patent on a similar product. Masstor countersued for $15 million in damages, charging that Network was abusing the legal process.

Customer concern over the lawsuits and the legal costs convinced the two small firms to settle rather than fight, Beck said.

New ComputerLand COO

ComputerLand Corp. of Oakland appointed Barbara Millard, the daughter of the company's founder and chairman William Millard, as president and chief operating officer.

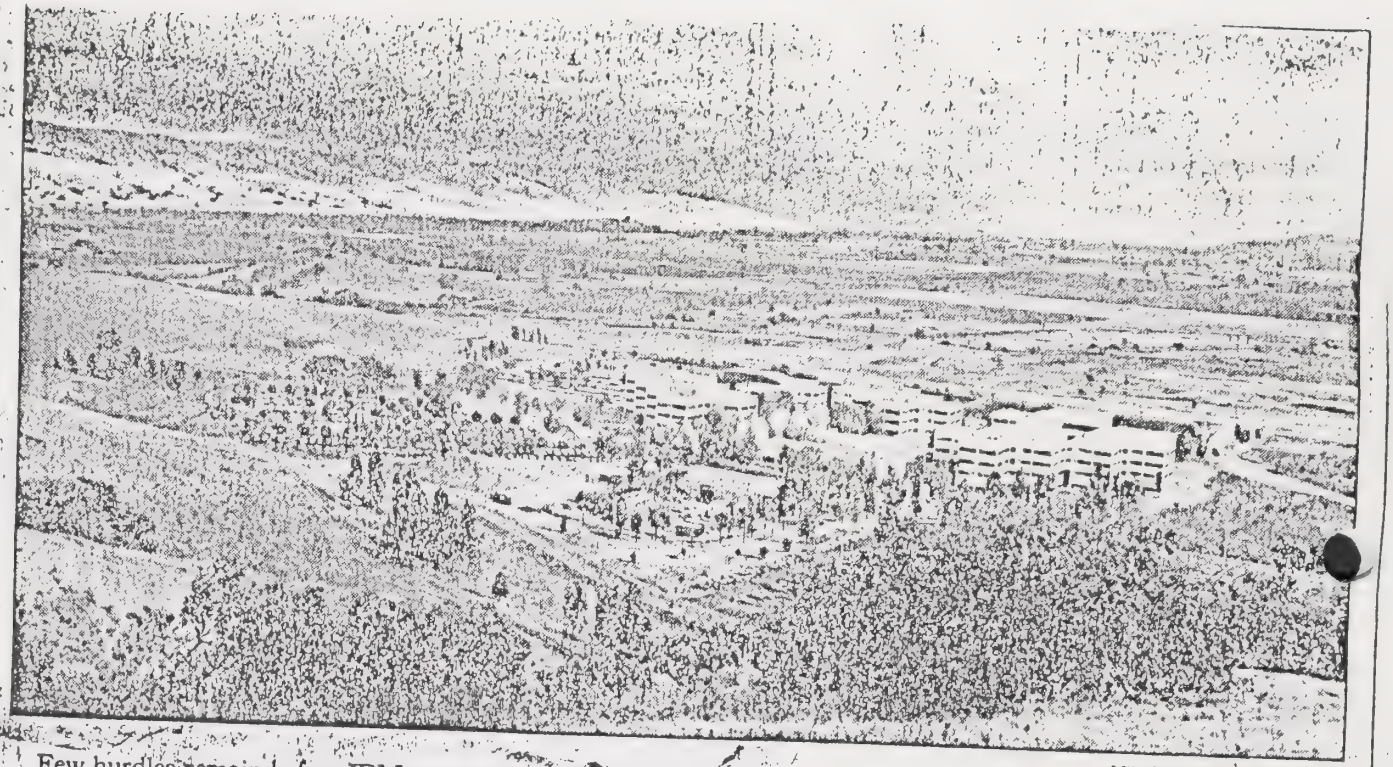
Twenty-six-year-old Millard has worked for her father's companies since she was 12, most recently as president of IMS Associates Inc., the family holding company that owns ComputerLand and other businesses. She was also president of ComputerLand's corporate affairs division. ComputerLand is a retailer of personal computers and related equipment.

Saga won't sell Straw Hat

Saga Corp. won't sell its Straw Hat Pizza chain to Bullwinkle's Inc., the two companies announced Wednesday. Santa Clara-based Bullwinkle's, which operates a chain of six food-and-entertainment restaurants, couldn't arrange the $40 million in financing to close the deal, Menlo Park-based Saga said.

Even though Saga has been negotiating with other interested parties, Saga was "unable to strike a deal to our satisfaction" and will keep the Dublin-based chain of 205 pizza restaurants, spokesman Gene Elsbree said. Straw Hat is expected to post sales between $59 million and $60 million this year.

"We're disappointed the deal with Bullwinkle's fell through," said Saga chairman Charles A. Lynch.



Few hurdles remain before IBM gets some new neighbors — including Tandem Computers — in Coyote Valley

Mike Tkacheff — Mercury News

Down in Coyote Valley

Last big hurdle to development is financial

By Chris Kraul
Business Writer

The squabbling between developers and environmentalists is over. The general plan has been amended. And city zoning changes later this month giving the green light to industrial development of North Coyote Valley seem a foregone conclusion.

But one hurdle remains before construction of up to 13 million square feet can begin in South San Jose's future high-technology hub: how to finance $220 million in new roads, sewers and flood control needed to extend San Jose city services to 1,200 acres of farmland.

Coyote Valley landowners, who will shoulder virtually the entire cost of bringing these improvements to Coyote Valley, are complaining that the $182,000-per-acre assessment estimated by the city is excessive.

Not only is the assessment twice what developers of industrially zoned land in other parts of San Jose are paying, but the $4.18-per-square-foot assessment would exceed the current market price of the land itself. One North Coyote Valley parcel was recently purchased by the Koll Co. for a reported $2.72 per square foot.

The city will finance the infrastructure of the so-called North Coyote Valley Campus Industrial Area by issuing municipal bonds. The $220 million

More Commercial Real Estate, Pages 3D, 4D and 5D

figure is arrived at by multiplying the $182,080-per-acre assessment by the approximately 1,200 acres in the assessment district. The landowners then pay, over a period of time, a pro-rata share of the principal and interest on the bonds according to the percentage of the 1,200 acres they own.

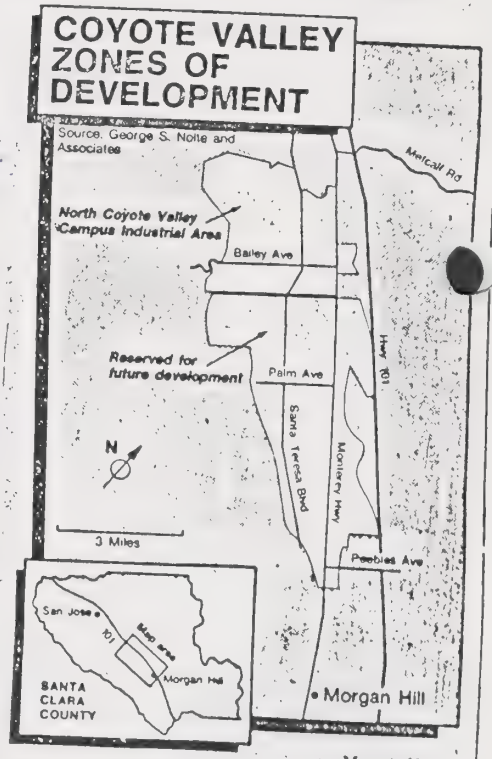
The projected assessment is high enough to cause Verbatim Corp. of Sunnyvale to have second thoughts about building the 400,000-square-foot Coyote Valley manufacturing and research facility it had planned, said treasurer Rick Brownstein. Sunnyvale-based Verbatim has an option to buy a 30-acre site owned by Sobrato Development Cos.

"It is very preliminary to say what, if anything, we will put there" before knowing the assessment fees Verbatim would have to pay, Brownstein said.

Developer John Sobrato said Verbatim is now mulling building manufacturing facilities on a more cost-effective site in Newark.

Going ahead with plans to build is Cupertino-based Tandem Computers Inc., which plans to break ground in spring 1985 on three buildings totaling up to 500,000 square feet of research,

Continued on Page 3D



Mercury News

Commercial Real Estate

Assessments could derail some plans for Coyote Valley

Continued from Page 1D

manufacturing and office space.

But Tandem and other Coyote Valley landowners, including Koll, complain that the high assessments mean they will be paying for improvements that will benefit businesses and landowners outside the initial assessment district.

San Jose Public Works Director Kent Dewell defends the proposed assessment, saying it is appropriate in view of the high-quality, industrial campus ambiance the developers have committed to producing.

City's priorities elsewhere

Moreover, Dewell says all the developers in the area entered their projects knowing that the city's development and funding priorities lay elsewhere, principally in the downtown area. That meant limited, if any, financing help would be forthcoming from the city, Dewell said.

Observers also said that the high-technology companies' apparent second thoughts about Coyote may be as much a result of market conditions and strategies as the higher-than-projected improvement costs. Verbatim, a manufacturer of flexible disks used for computer memory storage, recently laid off 175 employees after reporting a $10.7 million operating loss for the quarter ended Sept. 28.

Apple taking its time

Apple Computer Inc. of Cupertino, which is taking longer than expected to submit its development plans for 125 acres of the 700 acres it owns in Coyote Valley, is spending millions of dollars to expand its international sales and marketing network this year. That may limit the capital Apple has available to develop the huge new headquarters, research and development center it has announced for the Coyote Valley.

"We really won't be able to talk about our plant for several months yet," said Apple vice president and corporate counsel Al Eisenstat, adding that Apple does not plan on moving to Coyote before early 1987. He said the computer manufacturer has not yet decided which group will be quartered there.

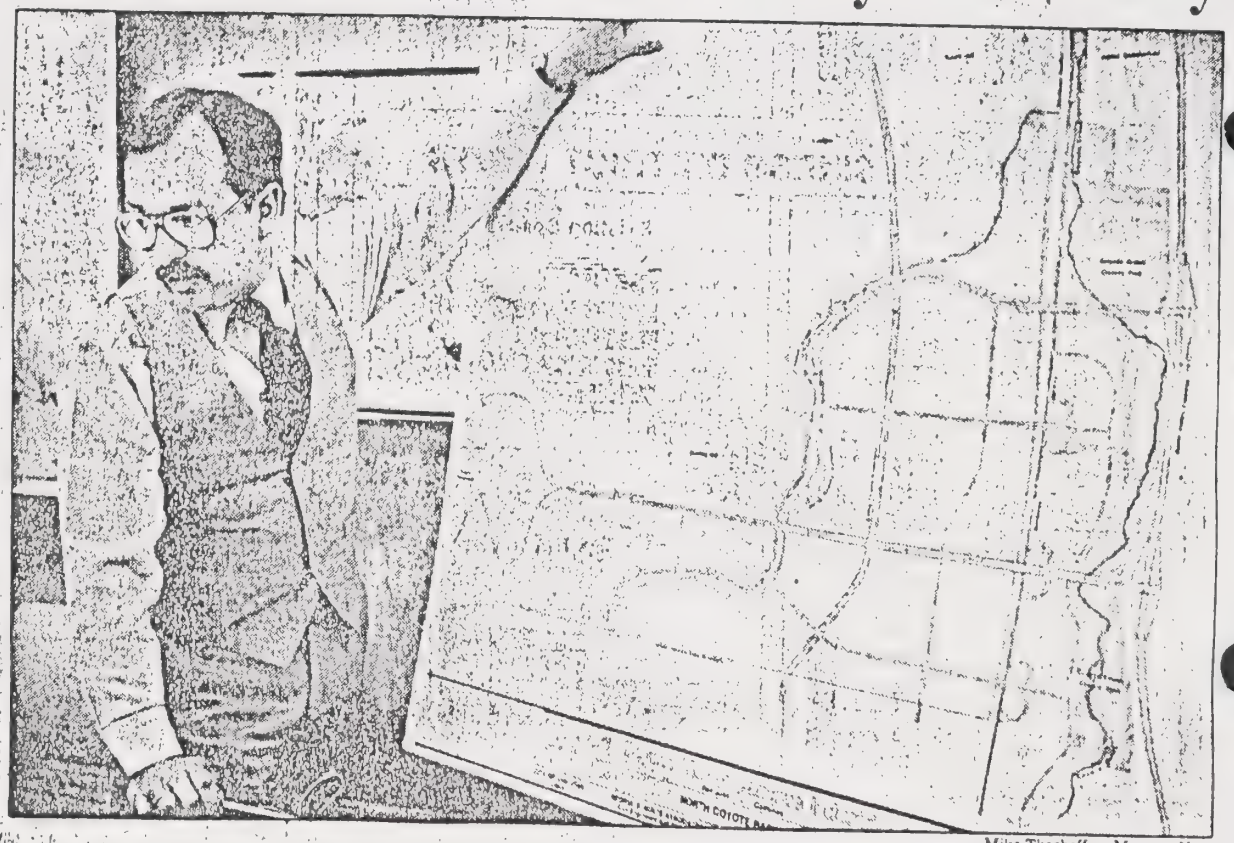
> ‘There's nothing comparable to it in terms of amenities.’
>
> *— Gary Schoennauer, San Jose planning director*

Booster remain bullish

Even with the high assessment costs, Coyote Valley boosters such as Chop Keenan of Menlo Park-based Keenan Land Co. maintain that improved North Coyote Valley land costs of between $8 and $10 per square foot (in current dollars) make the area competitive with other Silicon Valley industrial zones. Keenan brokered Apple's two Coyote Valley land purchases.

Prices for improved research and development land in other parts of the valley range from $12 to $20 per square foot, according to Chip Macdonald, a land specialist with CPS commercial real estate brokerage in Sunnyvale.

But cost is not Coyote Valley's principal marketing advantage, say its advocates. The area's strongest selling point is the opportunity it gives employers to buy large lots in a corporate campus environment. Also touted is its reverse commute and proximity to affordable housing in South for companies that want to place as many as 2,000 employees on a typical site.



Mike Tkacheff — Mercury News

San Jose Planning Director Gary Schoennauer shows a map of the North Coyote Valley area

Limits speculation

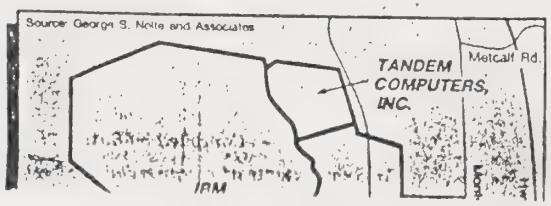
According to San Jose Planning Director Gary Schoennauer, the large lot size will also work to limit speculative land buying by investors. That should keep land prices down and make purchases more affordable to big employers, he said.

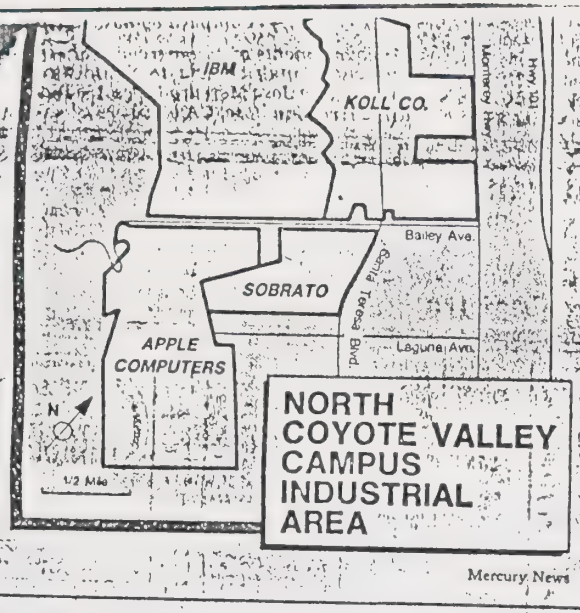
Buildings can be no closer than 50 feet from roadsides.

40 employees per acre

Employee density will be limited to no more than 40 per acre. Schoennauer said that restriction will ensure that the business park will be home principally to research, development and administrative employees. Ultimately, the new industrial zone could be home to as many as the 5,000-acre zone between South San Jose and Morgan Hill. The central Coyote Valley area is being eyed by planners as the site of up to 9,000 residential units and the southern third as permanent open space.

Development of the central portion of Coyote can occur only after several trigger conditions come about, including the extension of Highway 85 to Highway 101 north of Metcalf Road, now forthcoming due to the passage of Proposition A. In addition, 50 per-





pus environment. Also touted is its reverse commute and proximity to affordable housing in South San Jose.

Campus sites at a premium

A mayoral task force last year found that corporate campus sites are at a premium in San Jose and that the city in the future would lose employers seeking to consolidate operations here unless places like Coyote Valley were opened up for development.

The task force's findings played a significant role in the city council's approval last year of a general plan amendment that changed North Coyote from agricultural to urban development designation. The amendment had been fought for several years by environmental and homeowner groups.

By limiting minimum lot sizes in the North Coyote Valley Campus Industrial Area to 25 acres and the average to 50 acres, the city has planned Coyote Valley

he said.

> 'We really won't be able to talk about our plant for several months yet.'
>
> — *Al Eisenstat, Apple vice president*

Steve Speno, vice president of Koll's San Jose division, which owns 673 acres in Coyote Valley, said the North Coyote area is designed to be the "premier research and industrial center in California."

Schoennauer concurred: "There's nothing comparable to it in terms of amenities."

The amenities include a three-mile-long North Coyote Parkway that will serve traffic and recreational functions in addition to flood control for Fisher Creek. Developers have also agreed to dedicate 35 percent of all developable acreage to landscaping.

could be home to as many as 50,000 employees.

The $21 million Fisher Creek flood control project and the area's new road system are the two major reasons given by Dewell for the high assessment bill. The road system is to include two new Highway 101 interchanges at Bailey Avenue and where the new North Coyote Valley Parkway intersects a mile to the north. Four interchanges at Old Monterey Road are also planned in the assessment district.

Residential area eyed

North Coyote Valley is the first phase of urbanization planned for 101 north of Metcalf Road, now forthcoming due to the passage of Proposition A. In addition, 50 percent of the maximum jobs supportable in North Coyote Valley must be in place before development of the southerly parts of the valley may proceed, Schoennauer said.

The major landholders in the assessment district are Apple with 700 acres, Koll with 673 acres, Sobrato with 270 acres and Tandem with 100 acres. In addition to what it has taken title to, Tandem has an option to purchase 100 acres of Koll's holdings.

The first high-technology company in Coyote Valley was IBM, which purchased 1,165 acres in the mid-1970s. IBM has already developed 80 acres of its holdings and has committed 965 acres to permanent open space. The remaining 120 acres of IBM's property are developable and will be subject to some degree of new assessment, Dewell said. IBM has 2,000 employees in Coyote Valley.

Rolm wants to build in Coyote area

date?

By Philip J. Trounstine
Staff Writer

Rolm Corp. of Santa Clara, one of the Valley's fastest-growing electronics firms, is asking the San Jose City Council for a go-ahead to build in Coyote Valley, an agricultural area off-limits to development.

And the company has 6,000 jobs to use as enticement.

For Rolm to have its way, the city would have to permit development on land the council unanimously refused to urbanize two years ago, and council members would have to waive the deadline, now three months past, for requests to change the general plan.

Previous attempts to sidestep the general-plan application deadline have met with little success. And efforts to develop Coyote Valley have met with protest from environmentalists throughout the county and from San Jose homeowners' groups.

Kenneth Oshman, president of Rolm, which makes military computers and telephone systems, said his Santa Clara-based company would rather expand in San Jose than anywhere.

But Oshman said in a Sept. 3 letter to Mayor Janet Gray Hayes and other council members that the only property in the city "that satisfies our needs" is a 450-acre agricultural site at Bailey Avenue and Santa Teresa Boulevard.

If San Jose does not accept the proposal, "it will be physically impossible for us to meet the schedule of having the first (expansion) unit ready for occupancy by the end of 1983 or the first part of 1984," said Oshman, a director of the Santa Clara County Manufacturing Group and member of Hayes' Business Advisory Committee.

Two years ago, Drew Gibson of Koll Co., which owns the property, and civil engineer Charles W. Davidson, two politically astute developers, failed on a 7-0 vote to persuade the council to zone the land for an industrial park.

Now Davidson and Gibson have advised Rolm executives to renew their bid for development in Coyote Valley.

Even at the cost of opening Coyote Valley to development, Rolm's offer of jobs could be tempting to San Jose policy-makers who long have complained that San Jose historically has been used as a bedroom by north Santa Clara County cities tax-rich from industry.

But Hayes has flatly declared the Coyote Valley "off-limits." Virtually every council member has made similar commitments. Referring to the same

Back of Section, Col. 2

McEnery

Rolm wants to build in Coyote area

Continued from Page 1

property two years ago, the planning department said:

"This request directly raises the issue of urban development in the Coyote Planning Area . . . and is in conflict with some of the most basic tenets of the general plan."

Robert Dahl, Rolm vice president for finance, said: "We feel badly that we've touched upon an issue that is as politically sensitive as it is."

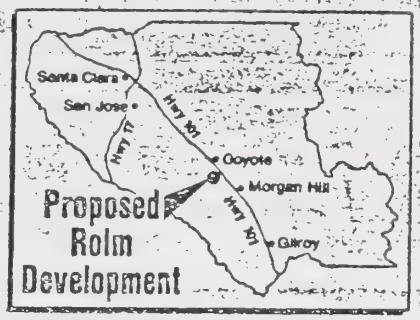
He said other San Jose sites are not suitable. Rolm ideally needs at least 125 acres, and acquiring that much land in other industrial areas is difficult and expensive, he said.

Unless San Jose clears the way for the Rolm development, the company either will go ahead with plans to expand on 45 acres in Santa Clara or will build outside the county, Dahl said.

Rolm had to fight a bitter battle in 1979 to win approval from the Local Agency Formation Commission for the right to build on the Santa Clara property — the site of the Edelweiss Dairy.

"We have other options available. We're not trying to force the issue. We're not trying to pressure the council," he said.

"If we're going to alienate a lot of people, we'll pull it off the (council's Sept. 22) agenda. It's not our intention to create waves," Dahl said.



Mercury

Dahl said he first realized the sensitivity of Coyote Valley development when he began meeting with Hayes, council members Pat Sausedo and Jerry Estruth, City Manager Francis Fox and Assistant City Manager Frank Taylor.

Dahl said that the land at Bailey and Santa Teresa is not really in Coyote Valley.

He also points to an IBM development on neighboring property — approved in 1974, before the general plan was adopted — as evidence that the property is a logical site for industry.

But Planning Director Gary Schoennauer said the property, which Koll purchased from Lincoln Properties in 1978 for $15.75 million, is in the Coyote Valley.

He said no significant change in the general plan ever has been accepted after the published deadline, but that the decision is up to the city council.

He would not predict the planning department's position on the proposal.

Since 1976, when the city's general plan for development was adopted, the Coyote Valley, a flat agricultural preserve on either side of Monterey Highway between San Jose and Morgan Hill, has been out of bounds for development.

In 1979, when Gibson and Davidson made their pitch, they argued that few large industrially zoned properties were available for corporations seeking to expand and that development of their land would reverse traffic flows and provide needed taxes.

City planners said, "Approval of the request would signal a change in the city's policy regarding Coyote, which is that urbanization in the Coyote is inappropriate within the time frame of the general plan (1975 to 1990)."

Moreover, they said, "It would be unrealistic to think that approval of this request would not give strong encouragement to further urbanization attempts in Coyote."

To this, Gibson said, "Can't the city council control their own destiny? If they let one development in, does that mean they have to let everything else in?"

City planners advise rejecting Coyote Valley business center

By GEORGE AVALOS

San Jose planners have issued a long list of recommendations for the city's future growth patterns as the city enters the final stage of its annual General Plan review amidst reports that the pace of new industrial development has slowed dramatically in San Jose.

One of the more controversial proposals before the San Jose City Council this year is a plan by Oceanic-California Inc. to build a 411-acre industrial park, executive retreat, conference center, residential complex and commercial project in the central Coyote Valley at the site of the existing Riverside Golf Course and adjacent land, officials said. The Planning Department and the Planning Commission have recommended the council reject Oceanic's plan.

The council for its upcoming hearings also has received a report that new industrial development in San Jose during the 1984-85 fiscal year totaled 290 acres, Planning Director Gary Schoennauer said. That is a sharp decrease from the 500 acres developed in 1983-84.

"The record-setting pace of 500 acres developed in the 1983-84 recovery from the recession of the early 1980s could not be sustained in 1984-85, particularly in the face of high vacancy rates in industrial areas," Schoennauer said.

Regarding the Riverside Golf Course proposal, Oceanic Vice President Daniel Raber said Oceanic wants to build:

- an 85-acre industrial park with a high-technology orientation,
- a 350-room executive business retreat with a conference center,
- 640 high-density residential units,
- 205 acres of open space that will include a new golf course, swim center, tennis courts and equestrian facilities, and
- 15 acres of neighborhood commercial facilities.
- a $2.5 million interchange between Scheller Avenue and the U.S. Highway 101 segment known as South Valley Freeway, which would provide a link between 101 and Monterey Road.

City planners are concerned the facility could undermine the development of downtown San Jose as well as threaten future growth of the northern Coyote Valley, which the city envisions as a high-technology mecca.

The Riverside complex is "designed to complement the convention center and not compete with downtown," Raber said.

"It's not family-oriented, it is a business-oriented center," Raber said. He added that the complex "would strengthen Coyote Valley, and it would be a plus to be near so many quality firms" that San Jose hopes will settle in North Coyote Valley.

The Oceanic proposal does not conform to the existing general plan, city Principal Planner Tom Mac Rostie said. "The project is very premature. It undermines downtown development objectives. It would compete with North Coyote Valley in particular," he added.

Another major proposal before the council is an area development policy to deal with the traffic problems in the north San Jose industrial district, said Jim Derryberry, San Jose's chief of planning.

The plan includes "some kind of regional agreement between and amongst cities to limit development intensity" in the area, Derryberry said.

"The objective is to deal with the fact that about half of the traffic (in north San Jose) is through traffic going east and west. Either the origin or the destination of that through traffic is not in San Jose's jurisdiction," Derryberry said.

Officials also hope to encourage more people to carpool and use buses and light rail trolley cars, he said.

A vacant land survey conducted by city officials showed that the biggest slowdown in industrial development occurred in southeast San Jose's Edenvale District and northeast San Jose's Berryessa District. North San Jose, which has been one of the fastest-growing sections of the city, held relatively steady, city planners found.

In 1983-84, 176 acres in north San Jose had industrial development. The figure slipped to 164 acres by 1984-85. Edenvale had 81 acres of industrial land developed in 1983-84, but only seven acres in 1984-85. Berryessa had 93 acres developed for industrial use in 1983-84, and by 1984-85, that figure had fallen to 29, Principal Planner Mac Rostie said.

So far in 1985, "Industrial activity is still down from the previous economic boom," Mac Rostie said.

For the first eight months of this year, the total value of industrial building permits in San Jose was $136 million, compared with $230 million for the January-August period in 1984.

There will probably not be any significant upturn in industrial development in San Jose until the existing oversupply is filled up, Mac Rostie said.

Another major trend found by city planners showed an increase in residential housing development. There were 4,049 building permits issued for residential development during the first nine months of 1985, Mac Rostie said. That compares with 3,457 units built in the first nine months of 1984.

Most of the increase was tied to multi-family residential projects. "Building rental housing has suddenly become profitable once again ," Mac Rostie said.

"There is also some thought that the anticipated federal tax reform could make rental housing less of an attractive investment," so builders are trying to construct their projects before any new tax laws take effect, he said.

The general plan hearings will focus on development proposals in all 10 council districts, and should be wrapped up by the middle of the month.

industrial space

peripheral areas

THOUGHT FOR THE DAY

I love to listen to children pray. Their prayers are simple and oh so full of faith—assuming that they will be answered.

Some years back I heard a little girl requesting of the Lord something very special concerning her daddy. She said she prayed it every day.

Two years later I met him at a large gathering (he had a very unusual name which I recognized when he introduced himself). In conversation, I discovered his little daughter's prayer had been answered. It had, in fact, changed his life dramatically for the better.

I remembered her sweet and simple prayer. It melted my heart as I recalled: "Permit the children to come to Me, do not hinder them, for the kingdom of God belongs to such as these. Truly I say to you, whoever does not receive the kingdom of God like a child shall not enter it at all." (Mark 10:14,15)

—J.M. Maccracken